GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1082
ANSWERED ON:23.11.2007
RURAL BANKS IN THE COUNTRY
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Will the Minister of FINANCE be pleased to state:

(a) the number of loss making rural banks in the country, State-wise;

(b) the steps taken by the Government to improve the condition of these banks;

(c) whether the Government has set up any Committee for this purpose;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance (Shri Pawan Kumar Bansal)

(a):- As per provisional figures furnished by National Bank for Agriculture and Rural Development(NABARD)5 out of 96 Regional Rural Banks(RRBs), 15 RRBs incurred losses of Rs.301.25 crore during 2006-07. State-wise position is given in the Annexure.

(b):- Government of India/Reserve Bank of India(RBI) and NABARD have taken a number of measures to improve the functioning of RRBs and to reduce their losses such as:-
1) Amalgamation of RRBs for business consolidation, expansion etc. The amalgamated RRBs will provide better customer service due to better infrastructure, computerization of branches, pooling of experienced work force, common publicity and marketing efforts etc. They will also reap benefits of a large area of operation and enhanced credit exposure limits.

2) Government has announced in the budget proposals for 2007-08 that RRBs having negative net worth will be recapitalized by the stakeholders as a measure to strengthen the RRBs, financially.

3) Enhancement of credit to Non-Priority Sector.

4) Expansion of non-fund based business activities such as sale of insurance policies, disbursement of pension, salaries etc. and handling of government business to increase income generation.

5) Extension of Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI) to RRBs with a view to improve their recoveries.

6) Permitting RRBs to accept Foreign Currency Non-Residents (FCNR) Deposits.

7) Allowing consortium lending to RRBs.

(c):- No, Sir.

(d):- Does not arise.

(e):- It is expected that the measures taken in this regard will improve the performance of RRBs including loss making RRBs to make them financially viable.